

# Choose silver over gold this Diwali

Given prices of the latter are at an all-time high, it makes sense to opt for cheaper precious metals

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This year, Diwali isn't exactly glittering for those considering buying gold. With prices trading at about ₹2,000/10 gm, the sentiment towards gold is weak. But as buying precious metals is considered auspicious during festivals, you could look at alternatives such as silver. If you can afford it, you could also consider platinum, more expensive than gold and giving a higher return than the yellow metal.

On Dhanteras, on November 1 this year, people usually buy gold. Naveen Mathur, associate director (commodities and currencies), Angel Broking, says while the current flashmentsals for gold seem weak due to changing investor perception, demand for the commodity would remain intact in the long run.

## Gold as investment

"From a portfolio point of view, gold continues to retain its long-

term charm. Once investors are accustomed to higher prices and in the global economic environment silties, there could be renewed interest in gold investment," says Mathur. Even if the demand for jewellery slowed, gold schemes would continue to attract investors, as an alternative to the traditional investment, he added.

Proof of this, perhaps, is the fact that Reliance Mutual Fund, which had suspended fresh subscriptions to its gold-savings scheme, decided to allow it once again. An improvement in the macroeconomic situation in the macroeconomic situation was behind the decision to restart the scheme again, the fund house said.

Gold exchange-traded funds (ETFs) offered by fund houses are another option one could invest in. On Dhanteras last year, gold ETFs recorded a trading turnover of about ₹2,000 crore.

Those looking to buy precious metals in physical form could look at silver coins, says

Mukesh Kothari, director, Riddhi Siddhi Bullions. "This year, the demand for gold coins and bars is expected to be much lower compared to last year, owing to the high premium on gold coins and the depreciation of the rupee. Gold is expensive, compared to international prices. Therefore, we feel buyers would prefer to buy silver coins rather than gold," he says.

Earlier this year, jewellers had reduced sales of gold coins to extend support to the government in addressing the country's high current account deficit. Banks, too, had disallowed purchasing gold coins through credit cards. The aim was to prevent the speculative rise in gold prices as an investment. But ahead of Diwali, jewellers have started selling coins again, as demand during the festival is driven more by sentiment than investment aims.

says Rajiv Popley, director of Popley and Sons. "There is a lot of wedding-related demand, primarily for gold jewellery. But customers who placed orders for particular days during Diwali have ordered coins," he says.



This year, sales of gold and silver jewellery failed to gain momentum during Navratri, though a pick-up in demand was seen during Dussehra. Also, a trend of recycling jewellery was seen, as cautious buyers refrained from jumping into fresh gold jewellery purchases, said Mathur.

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## The silver option

Another emerging trend is the demand for silver and platinum as an asset. Kothari says compared to last year, there is higher demand for these metals this year. Apart from jewellery, demand for silver and platinum bars is also being seen. "Last year, silver prices stood at about ₹60,000 a kg; this year, these are

about ₹50,000 a kg. Therefore, more buyers have entered the market to buy at these levels. Moreover, we worship silver coins on Dhanteras. So, the demand for this metal is high during Diwali. And, it also serves as a good option for gifts," he says.

In April, platinum prices were lower than the prices of gold. But since then, platinum prices have risen, owing to supply constraints globally. Popley said now, platinum is 15-20 per cent more expensive than gold, at ₹3,900-4,000/gm; 18-carat gold is priced at about ₹2,300/gm, says Popley.

## Behind silver, platinum prices

While buyers track gold prices actively, when it comes to silver, they should remember it takes cues from the price movement in gold and base metals, too. This is because silver is also an industrial metal and developments in the base metals space impact it. Investors should keep in mind when there is a correction in prices, losses in silver are higher than in gold. Platinum and plat-

inum group metals are primarily used in the automobile sector, as catalysts, which help as a pollution-control device in cars and trucks. Therefore, growth in the automobile sector is a crucial factor, providing direction to platinum prices. "Platinum shares a strong positive correlation with gold, and it shows the movement in gold and platinum prices is in tandem," says Mathur. Kothari says in time, returns from platinum would surpass those from gold.

## Resale value

Precious metals in the form of coins and bars fetch the value prevailing in the market (spot price) — current buy-back prices are offered to buyers. Reputed jewellers usually provide a 100 per cent buy-back guarantee for gold, silver and platinum coins, subject to conditions such as those related to purity, etc. In terms of jewellery, the resale value isn't much, as it is subject to factors such as wear and tear, making charges, extra weight of additional stones such as ruby and emer-

alds, etc, says Kothari.

Popley says as is the case with gold, investors can be assured of getting 80 per cent of the value, after deducting value additions, even in case of platinum. "It is a safe investment," he adds. Also, with the prices of commodities being transparent across global markets, the resale value for silver and platinum are connected with current market prices.

C P Krishnan, whole-time director, Geojit Comtrade, said gold prices would primarily depend on the movement of the rupee. "Broadly, the trend for gold would be slightly bearish through the next 12 months or so, due to the tapering of the quantitative easing programme in the US. But if the rupee remains at 60-levels, gold prices in India would be stable," he says.

He recommends investors hold on to gold investments, at least for nine-12 months, to record any meaningful appreciation in prices. Also, the commodity shouldn't exceed 10 per cent of their portfolios, he adds.